



CHILD CARE MICROENTERPRISE TOOLKIT

RESOURCES FOR CHILD CARE PROVIDERS/BUSINESS OWNERS*

TIP SHEET 2:

INDIVIDUAL DEVELOPMENT ACCOUNTS

What is an Individual Development Account?

An individual development account, or IDA, is a special savings account for people with low incomes. If you save in an IDA, your money will be matched—you can receive another dollar or more for every dollar you save!

Typically, IDA savings and match money can be used to start or improve a small business, such as a child care microenterprise, buy a house, or pay for education expenses. However, some IDA programs also allow participants to save for home repairs, computers, automobiles, or retirement.

In addition to saving in your bank account, you will receive financial education to learn about budgeting, saving, banking, and other skills related to the savings goal you choose. IDA participants may also receive one-on-one counseling and other support services.

Eligibility Guidelines

While eligibility may differ for each IDA program, it is typically based on all or some of the following criteria:

- ★ **Income:** Most IDA programs specify a maximum household income level for IDA applicants. Maximum income levels are most often a percentage of the Federal Poverty Income Guidelines (usually between 100 percent and 200 percent) or the area median income (usually between 65 percent and 85 percent).¹
- ★ **Earnings:** Many IDA programs also require that all or part of savings come from earned income. A paycheck is the most common source of earned income, but welfare, disability, social security, or unemployment checks are also earnings. Money given as a gift is not considered earnings.
- ★ **Net Worth:** Some IDA programs also look at the household assets (such as a car, home, savings, etc.) in addition to household income when determining IDA eligibility.
- ★ **Credit History:** Debt from credit cards and loans makes it difficult to save. You might not qualify for an IDA if you have a lot of debt or a bad credit history. A program sponsor may ask you to visit a credit-counseling center or pay off your loans before you open an IDA.

Find an Individual Development Account Program Near You!

IDAs are typically offered by nonprofit organizations, community development organizations, and local governments in collaboration with financial institutions and other partners. Each program may be different in how it operates, so contact a program near you to find out more about the IDA program, any questions you may have, whether it can help with a child care business, and how to apply.

To find a program in your State, visit the Federal Assets for Independence Project Locator at www.acf.hhs.gov/assetbuilding/states.html and Corporation for Enterprise Development's IDA Program Directory at www.cfed.org/focus.m?parentid=31&siteid=374&id=599.

To learn more about IDAs, visit the Corporation for Enterprise Development's *Individual Development Account Fact Sheet* in English at www.cfed.org/imageManager/IDAnetwork/IDAs.doc or in Spanish at www.cfed.org/imageManager/IDAnetwork/IDAs_Spanish.doc.

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*This tip sheet is adapted from the Corporation for Enterprise Development's *Individual Development Account Fact Sheet*, available on the Web at www.cfed.org/imageManager/IDAnetwork/IDAs.doc.

¹ In 2005, the Federal Poverty Income Guideline for a family of four was \$19,350 and the estimated median family income was \$58,000.